

MEMORANDUM

TO: County Council

FROM: Kathleen Boucher, Senior Legislative Attorney ^{KB}

SUBJECT: **Introduction:** Bill 21-06, Retirement Savings Plan – Distribution of Benefit

Bill 21-06, Retirement Savings Plan – Distribution of Benefit, sponsored by the Council President at the request of the County Executive, is scheduled to be introduced on May 25, 2006. A public hearing is tentatively scheduled for June 13 at 1:30 p.m.

Bill 21-06 creates an installment payout distribution option for County employees who participate in the Retirement Savings Plan. Under current law, an employee who participates in the Retirement Savings Plan must choose either a lump sum payment or annuity when the employee retires or terminates County employment.

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Bill No. 21-06
Concerning: Retirement Savings Plan --
Distribution of Benefit
Revised: 5-23-06 Draft No. 1
Introduced: May 25, 2006
Expires: November 25, 2007
Enacted: _____
Executive: _____
Effective: _____
Sunset Date: None
Ch. , Laws of Mont. Co.

COUNTY COUNCIL FOR MONTGOMERY COUNTY, MARYLAND

By: Council President at the Request of the County Executive

AN ACT to:

- (1) amend the Retirement Savings Plan to add installments as a distribution option;
- (2) make certain clarifying and technical amendments; and
- (3) generally amend the law relating to the Retirement Savings Plan.

By amending:

Montgomery County Code
Chapter 33, Personnel and Human Resources
Section 33-120

Boldface	<i>Heading or defined term.</i>
<u>Underlining</u>	<i>Added to existing law by original bill.</i>
[Single boldface brackets]	<i>Deleted from existing law by original bill.</i>
<u>Double underlining</u>	<i>Added by amendment.</i>
[[Double boldface brackets]]	<i>Deleted from existing law or the bill by amendment.</i>
* * *	<i>Existing law unaffected by bill.</i>

The County Council for Montgomery County, Maryland approves the following Act:

Sec. 1. Section 33-120 is amended as follows:

33-120. Distribution of Benefit.

* * *

(f) *Distribution methods.* The Chief Administrative Officer must pay, at the request of the participant or the designated beneficiary, a participant's account balances in the retirement savings plan upon retirement, disability retirement, death, or separation from County service.

(1) *Normal method of distribution.* Unless the participant elects an optional method, the normal method of distribution must be a lump sum distribution.

(2) *Optional [methods] method of distribution - Annuity.*

(A) A participant may elect, subject to the conditions of this paragraph, to have the entire account balances used to buy an annuity payable in one of the following actuarially equivalent methods:

[(A)] (i) [A joint and survivor annuity.] A joint and survivor annuity [as used in this Section means an annuity] payable for the life of the participant, with a survivor's annuity payable for the life of the participant's spouse or domestic partner in an amount at least equal to one-half of the amount of the annuity payable during the joint lives of the participant and the participant's spouse or domestic partner.

[(B)] (ii) A single life annuity payable for the lifetime of the participant.

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LEGISLATIVE REQUEST REPORT

Bill 21-06

Retirement Savings Plan – Distribution of Benefit

DESCRIPTION:	This bill amends Section 33-120 of the County Code to create an installment payout distribution option for County employees who participate in the Retirement Savings Plan.
PROBLEM:	When employees retire or terminate employment with the County, their balance in the Retirement Savings Plan must be used for a lump sum distribution or to purchase an annuity. The participant cannot leave his/her account balance in the Retirement Savings Plan invested in the mutual and commingled funds they have selected. Most defined contribution plans, including the Federal Government's Thrift Savings Plan, offer an installment distribution option. The purpose of offering this option is to allow participant's total flexibility in deciding which distribution option is best suited in meeting their retirement needs.
GOALS AND OBJECTIVES:	To provide participants in the Retirement Savings Plan with the option of selecting an installment payout distribution option.
COORDINATION:	Board of Investment Trustees, Office of Human Resources, Employee Representative Organizations, and Fidelity Investments.
FISCAL IMPACT:	The economic impact to the Retirement Savings Plan is that additional assets may remain in the Plan, which will serve to increase the fund balance, and help to maintain lower fees for all participants.
ECONOMIC IMPACT:	To be requested.
EVALUATION:	The Board of Investment Trustees and the Office of Human Resources oversee the contract with Fidelity Investments, the Retirement Savings Plan's record keeper.
EXPERIENCE ELSEWHERE:	To be researched.
SOURCE OF INFORMATION:	Timothy Firestine, Chair, and Linda Herman, Executive Director, Board of Investment Trustees.
APPLICATION WITHIN MUNICIPALITIES:	The bill applies only to County employees who participate in the Retirement Savings Plan.
PENALTIES:	None.



OFFICE OF THE COUNTY EXECUTIVE
ROCKVILLE, MARYLAND 20850

Douglas M. Duncan
County Executive

MEMORANDUM

April 27, 2006

RECEIVED
MONTGOMERY COUNTY
COUNCIL
2006 MAY -1 AM 9:33

TO: George L. Leventhal, President
Montgomery County Council

FROM: Douglas M. Duncan, County Executive

SUBJECT: Legislation to Amend Chapter 33, Personnel and Human Resources,
Section 33-120 Distribution of Benefit

Attached are proposed amendments to Sections 13-120, Distribution of Benefit. This amendment would provide Retirement Savings Plan (RSP) participants with an installment distribution at retirement or separation from service.

Under the current legislation, distributions from the RSP are limited to a lump sum distribution or the purchase of an annuity. Most defined contribution plans, including the Federal Government's Thrift Savings Plan, offer an installment payout option. By providing an installment payout option, we would be providing participants with the flexibility to remain in the RSP and continue to be invested in the mutual and commingled funds of their choosing, or among the other forms of distribution. No increase in staffing level is required as the distribution of benefits is handled by the RSP's record keeper, Fidelity Investments.

The Board of Investment Trustees provides two hours of investment counseling to all employees annually at no charge. Employees can also obtain counseling on distribution options at retirement or separation from service.

We have discussed this proposed legislation with our employee representative organizations and they concur with these changes.

Thank you for your consideration of this matter. I urge the Council to adopt this legislation.

DMD:lh

Attachments



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